FINANCIAL PROCEDURES

BULLETIN 3

Municipal Investments

Ontario

Ministry of
Municipal
Affairs

Bernard Grandmaître
Minister

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Bernard Grandmaître
Minister

Eric M. Fleming
Deputy Minister (acting)

MUNICIPAL INVESTMENTS

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INTRODUCTION

The publication "Cash Management in Municipalities" pointed out that investment policies and practices were the last element of an effective cash management program and the one that enables the municipality to gain monetarily from all its efforts in implementing good cash management practices.

The ability to derive significant amounts of non-tax revenue through a sound investment program is not limited to the larger municipalities. Many of the Province's towns, villages, townships and improvement districts have entered into the field of municipal investment with successful results.

The success of a municipal investment program should be, first and foremost, the preservation and protection of capital. Other factors such as the rate of return and the ability of the system to identify quickly the maximum dollars that can be invested and the time that such investments can be held must also be considered.

In addition to describing the various features related to a municipal investment program and the methods of investments that should be considered in developing such a program, this bulletin will discuss other matters such as developing a list of eligible investments, selecting a financial institution and providing guidelines on how to prepare an investment policy. It also incorporates the legislative references of the Revised Statutes of Ontario, 1980 and subsequent amendments to date and ends with a glossary of investment instruments.

INVESTMENT TERMINOLOGY

The investment community like so many others, has terminology that does not have common usage outside of that environment.

Throughout the bulletin, readers are introduced to numerous investment terms. Although experienced investors will find the terminology commonplace, newcomers might be initially intimidated by the investment jargon. To lay a common groundwork for all readers, here is a summary of definitions of the most common terms used.

Basis Point: A basis point represents 1/100th of one percent, i.e. the digits to the right of the decimal point in, say, 10.25 per cent, represent 25 basis points.

Current Yield: The ratio of interest to the actual market price of the bond stated as a percentage, e.g. if the income is $50 a year on an investment with a value of $1,100, the current yield is 4.545%.

Discount: The amount by which a bond sells below its face value. For example, a $1,000 bond purchased for $1,000 is said to have been bought "at face value". A bond purchased below its face value is said to have been bought "at a discount" and if purchased for more than its face value is said to have been bought "at a premium".

Face (Par) Value: The value of a security as expressed on the face of the certificate without consideration to any premium or discount, unless the value is otherwise specified by the issuing company. It represents the dollar value to which the interest rate is applied. Face value is no indication of market value.

Hypothec: Right of a creditor established by law or agreement over securities pledged by a debtor.

Hypothecate: To pledge securities as collateral for a loan.

Interest Rate: This is the price of borrowing or lending money, generally expressed as an annual percentage rate. It is almost always stated on an annual basis. A note promising to pay $1,000 at the end of a year with an additional sum of $150 bears an interest rate of 15 per cent.

Liquidity: A measure of the ability to convert a security into cash promptly with minimum risk of loss of principal or accrued interest. Federal and provincial bonds which trade on a daily basis are generally considered to be highly liquid.

Market (Value) Price: The price at which a security is selling in the open market.

Maturity: The date on which the principal or stated value of an investment falls due and may be realized.

Premium: The amount by which a security may sell above its face value. In the case of a new issue of bonds, premium is the amount the market price rises over the face value.

Risk: This is a measure of the potential for loss of principal and/or accrued interest on an investment. In exchange for a return on investment, the investor may expose assets to possible losses. Risk is the probability or possibility of such losses.

Surplus Moneys: This refers to moneys not required immediately by the municipality.

Yield-To-Maturity: The average annual return on an investment based on the interest rate, purchase price and length of time to maturity. It differs from current yield in that it takes into consideration the increase to the face value of an investment bought at a discount and the decrease to the face value of an investment bought at a premium. For example, suppose that you buy

a 10-year bond at $950. You would receive not only $100 a year (assuming the interest rate is 10 per cent) but also a capital appreciation of $50 over the 10-year period, or an average of $105 per year. Thus, the average return per year would be $105 and your average yield to maturity would be 105/950, or 11.05%.

LEGAL AUTHORITY FOR INVESTMENTS

The Statutes of Ontario contain a number of provisions that allow municipalities to invest surplus moneys. Each municipal treasurer should become familiar with these provisions to ensure that as far as possible all surplus moneys are considered in the overall investment program of the municipality.

This bulletin directs attention to five sections of legislation most often used as the authority to invest municipal surplus moneys. The comments made under each section simply serve to highlight the relevant provisions of the section. Municipal treasurers should refer to the actual legislation and if necessary consult the municipality's legal counsel before any investment action is undertaken. Extracts of this legislation can be found in Appendices A, B and C to this bulletin.

The legislation is permissive, and does not override the requirement for sound analysis and judgment in placing public funds for investment purposes. Investments which are outside specific legislative authority are unacceptable as investments for municipal moneys or as security for investment transactions.

<u>Section 165(2) of the Municipal Act (Appendix A)</u>
This section allows money raised for a reserve fund to be invested in such securities as a trustee may invest in under the Trustee Act (Appendix C). The legislative powers applicable through the Trustee Act to reserve fund investments are broader than those granted under section 169 of the Municipal Act for

temporary investment of revenue fund moneys. Since reserve fund moneys are usually not required immediately, they also present opportunities for longer term investments.

Many municipalities use reserve fund moneys as a source of temporary financing to meet their current operating needs. In order to meet the legal requirements of the Trustee Act the municipality must issue a promissory note that is then purchased by the reserve fund investing the money. At the maturity of the note, or on demand, the promissory note is redeemed and the principal plus the interest earned is returned to the reserve fund. (Refer to Bulletin 5 "Reserves, Reserve Funds, Allowances and Other Special Funds).

For some municipalities, the interest rate applicable to the promissory note supporting such an investment is the same rate that the municipality would have to pay to an external lending agency on the date that the note is issued. However, a number of municipalities do establish an interest rate for internal borrowing that represents an average based on the mid-points of the rates for its short-term borrowing and investing. In one municipality at least three quotations are required in arriving at this average mid-point interest rate.

<u>Section 169 of the Municipal Act (Appendix A)</u>
This section is the one most often used by municipalities as their authority for their investment program. This legislation provides for the acquisition of a wide range of investment instruments such as:

- bonds, debentures and other evidences of indebtedness of or guaranteed by the Government of Canada, the Province of Ontario or any other province of Canada;

- debentures, notes, guaranteed investment certificates or term deposits of any trust or loan corporation registered under the Loan and Trust Corporations Act;

- term deposits, deposit receipts, certificates of deposit or similar investments issued, accepted, guaranteed or endorsed by any chartered bank to which the Bank Act (Canada) applies;

- promissory notes of a metropolitan, regional or district municipality or of a municipality as defined in the Municipal Affairs Act or of a conservation authority as established under the Conservation Authorities Act. This section also provides the authority for loans to school boards;

- term deposits accepted by a credit union or caisse populaire as defined in the Credit Unions and Caisses Populaires Act.

In addition to setting out the type of investments that a municipality can make in outside agencies, paragraph 169(2)(b) of the Municipal Act allows for advances to the capital account of the municipality for the purpose of interim financing of capital projects. A municipality cannot invest in its own debentures through the Revenue Fund or Capital Fund. This is only permissible through Reserve Funds and Trust Funds.

All of the interest earned through investments made under the provisions of this section shall be credited to the fund from which the moneys are invested or advanced.

<u>Section 170 of the Municipal Act (Appendix A)</u>

Under this section moneys received from the sale of debentures that are not immediately required for the purpose for which the

debentures were issued may be invested in the revenue funds of the municipality. There are a number of conditions applicable to the use of these moneys. These conditions are:

- the money invested must be returned to the debenture account on the day in which the moneys are required to meet the purpose supporting the debenture issue, or;

- no later than the 31st day of December of the year in which the moneys were invested; whichever occurs first.

All of the interest earned on this investment must be credited back to the debenture account. The interest rate on such investments must be equal to the rate applicable to the temporary borrowing rate of the municipality at the time the moneys are drawn.

Section 39(3) of the Planning Act, 1983 (Appendix B)
This legislation enables municipalities to invest moneys received under an agreement exempting the owner from the requirement to provide parking facilities. Moneys must be invested under the conditions outlined in the Trustee Act, and all of the interest received from such investments must be credited back to the account from which the invested moneys were drawn.

Section 50(12) of the Planning Act, 1983 (Appendix B)
This legislation enables municipalities to invest moneys received in lieu of park land under subdivision agreements or through the sale of dedicated park land. Moneys of this nature must be invested under the conditions set forth in the Trustee Act, and all of the interest received from such investments must be credited back to the account from which the invested moneys were drawn.

DEVELOPING AN INVESTMENT POLICY

A trend in professional investment management during the past decade has been the escalating use of written investment policies. Formal policies can result in superior performance and improved communications. An investment policy will often provide a framework under which the municipality can pursue an effective, efficient and productive cash management program.

Depending on the needs and preferences of a particular municipality, an investment policy can range from a simple policy statement for a small municipality to a more detailed and comprehensive investment policy for a larger municipality but whatever the case, the policy should be adopted by Council. **IT IS IMPORTANT THAT ALL INVESTING GUIDELINES BE WRITTEN AND APPROVED BY COUNCIL.**

The policy, however, should be flexible enough to allow staff to operate effectively and to allow common sense to complement the formal policy when appropriate.

Producing an investment policy for a municipality is a very complicated exercise. There is probably no one policy which can be drafted for adoption by all municipalities because of differences in size, staff constraints, portfolio and management style. Copies of an investment policy for the Borough of East York and the City of Kanata are illustrated in Appendix D and E respectively. Each municipality is distinct in its characteristics, risk tolerance and investment opportunities available through the local financial community. In addition, there is no policy that can protect against all eventualities. Diversification, which is dealt with later under objectives is therefore, extremely important, it avoids having "all the eggs in one basket".

Scope

An investment policy should specify the various types of funds, Revenue Fund, Reserve Funds and Trust Funds and the investment strategies appropriate to each. These strategies should be within the legislative provisions applicable to each type of fund (See Appendices A, B and C). The scope of the investment policy should also differentiate between short-term or operating funds and those held for long-term purposes.

Objectives

Every investment policy should contain a concise and clear statement of objectives. Unfortunately, many are so vague that they are meaningless. Municipalities would therefore benefit from identifying their main concerns and recognizing that a statement of objectives can provide direction and constraints.

The formulation of specific objectives is a normal part of investment management. The principal objectives of a municipal investor should be:

1. Safety of capital (Security)
2. Maintenance of Liquidity
3. Rate of Return
4. Diversification

1. Safety of Capital (Security)

Safety of capital is still the fundamental goal of public sector investment. As classic fiduciaries, municipal officials responsible for stewardship of public funds must first ensure that investment transactions do not result in a loss of funds.

2. Maintenance of Liquidity

It is essential to have a documented cash flow forecast covering at least the next twelve months, monitored and updated on an ongoing basis. Monitoring cash balances on a regular basis will

allow the municipality to recognize when surplus moneys are available for investing and also determine when the moneys will be needed.

Where cash flows are predictable the liquidity of the investments may not play as great a role as the rate of return. Where cash flows are less predictable, the liquidity of investments will have a greater priority than rate of return.

However, a high degree of liquidity in a portfolio will provide the flexibility necessary to react to market conditions.

3. Rate of Return

The objective of maximizing rate of return should come after the guidelines of security and liquidity have been established. **GENERALLY AS YIELD INCREASES, RISK INCREASES AND LIQUIDITY DECLINES.**

4. Diversification

One of the key ingredients in reducing overall exposure to risk in an investment portfolio is diversification. Although most investors understand that it pays to diversify, the function and mechanics of diversification are not well understood. The purpose of diversification is to reduce overall portfolio risks while attaining market average rates of return. Diversification should therefore be thought of in terms of maturity as well as instrument type and issuer. Some municipalities ensure that the maturity dates of their investments are distributed to enhance diversification.

Delegation of Authority

After the investment objectives have been identified, the next logical step is an explicit delegation of authority to officials responsible for conducting transactions and managing the municipality's program. In most cases, this will be the

treasurer. No unauthorized persons should be allowed to engage in investment transactions.

Reporting

Investment reports provide a mechanism for accountability to and monitoring by policy makers. Periodic flows of information are needed regarding economic conditions, portfolio changes and the results of investment operations. It is desirable that these reports be frequent enough to inform elected officials of ongoing events and results. However, the frequency will depend on the preferences of elected officials, the available time and the complexity of the investment program. In municipalities with monthly financial reports, the investment report can be treated as an appendix of the overall financial report; it need not be free-standing.

In addition to the importance of security of principal, liquidity of the investment and maximizing the rate of return, the investment policy should recognize: the dynamic nature of investing practices, matching the term of investment to the planned use of the funds, past and present policies of the municipality and legislative requirements.

As an example, the investment policy as developed by the City of Mississauga gives consideration to the following points:

- Meeting legal requirements - investments which are outside specific legislative authority are unacceptable for municipal portfolios or as security for investment transactions.

- Preservation of Capital - it is more important to ensure the return of the investment than the return on the investment.

- Maintenance of necessary liquidity - it is essential to have a documented cash flow forecast covering at least twelve months, updated on an ongoing basis and monitored.

- Realizing a competitive rate of return - the key is to assume only as much risk as investment limitations permits in order to maximize return.

DEVELOPING A LIST OF ELIGIBLE INVESTMENT INSTRUMENTS

The selection of investment instruments to be allowed for investment purposes is a significant policy issue for many municipalities. Although day-to-day selection of specific instruments should be treated as a management function, the policy should define the "big picture". The selection process can be generally expressed through an "approved list" adopted by council.

An "approved list" is a list of acceptable investments specifically identifying approved borrowers by name and establishing an investment limit for each approved name. Limits are generally established in terms of the type of security and for individual borrowers.

The formulation of an approved list involves consideration of the tradeoffs among security, liquidity and rate of return. An important objective is to achieve diversification within the portfolio among classes of issuer and on an issuer basis.

An approved list provides consistency and discipline for the investment manager, outlines clearly to the investment dealer the financial institutions, other municipalities and local boards whose debt instruments the municipality is prepared to invest in, and the levels of commitment which can be considered. As a rule

of thumb, the approved list should have greater capacity than the expected size of the portfolio.

SELECTING A FINANCIAL INSTITUTION

The Investment Policy Report prepared by the Urban Finance Officers Association of Ontario in 1983 indicates that an "Approved List" of financial institutions with which the municipality is prepared to make short and medium term investments is essential.

The process for maintaining and updating this list should be clear and reflect the changing nature of investing . Legal as well as financial review may be appropriate in certain cases when adding companies to an Approved List or in reviewing their deletion or reduction in commitment.

Also in the Investment Policy Report are the following guidelines for including financial institutions on an Approved List:

- The institution should meet a minimum size test (total company assets). The Financial Post 500 ranks the top 100 Financial Institutions by total assets.

- The institution should have a rating from a recognized rating service. The existence and level of the rating should influence the municipality's exposure.

- In addition to size and credit rating criteria, a number of other factors could be significant in determining eligibility for an Approved List. They are:

    - Canadian subsidiaries of foreign-owned banks should be evaluated primarily on domestic assets primarily. Guarantees by parent banks may, through the process

of law, require longer time frames for realization of investments.

- Certain tests may apply differently to different types of institutions. For example, liquidity tests may not be necessary for readily marketable securities as Treasury Bills or bonds issued or guaranteed by the Government of Canada or a Province.

- Shareholders' equity and reserves should represent at least a minimum percentage of an institution's total equity, to ensure stability in difficult times.

Evaluation of credit worthiness involves a great deal of interpretation and judgment as well as measurement of statistical data. To conduct extensive credit evaluations, a great deal of time and financial knowledge is required. There is, however, considerable current information available on which to base credit judgments.

The most relevant publications are those provided by the credit rating agencies which, in Canada, include the Dominion Bond Rating Service and the Canadian Bond Rating Service. These agencies provide independent evaluations on a fee basis for various short term borrowers, dividing credit ratings broadly into four categories:

R1/A1: highest quality
R2/A2: medium quality with good capacity to meet obligations
R3/A3: below medium quality - a deterioration of business conditions could put pressure on the ability to meet obligations
U/A4: not of investment quality

INTER MUNICIPAL/LOCAL BOARD BORROWING

Section 169(2)(iv) of the Municipal Act permits municipalities to invest in promissory notes of other municipalities (as defined in the Municipal Affairs Act which includes school boards), and conservation authorities when established under the Conservation Authorities Act. This type of investment is gaining wider prominence in Ontario and at present is used by only a small number of municipalities, mainly the larger cities and regions. Nevertheless such investments can be quite attractive to any municipality and should not be overlooked by municipal treasurers.

Investments of this nature are arranged through personal contact between the treasurers of the municipalities or boards involved who then agree on the size of the loan, repayment dates and the rate of interest on the loan. Banks will normally lend to municipalities at prime rate or slightly less than prime. On the other hand, the banks' 30-day deposit rate is probably about 1 1/2 percent below the prime rate. By settling on a rate somewhere in between on inter municipal loans, borrowers pay less interest than the banks charge, while lenders receive a higher return.

The net interest rate of return on this type of investment is often greater than the current market rate due to the elimination of the commission fees normally charged by the brokerage firms. However, treasurers should be aware of any service charges, such as bank transfer costs, that may occur and adjust the interest rate to cover any such costs.

Transfers can be arranged through the municipality's bank or by the issuance of a cheque in those circumstances where time permits. All loans as stated in the legislation must be secured by a duly authorized promissory note.

Another variation that seems to be getting more activity are arrangements whereby local municipalities make advance payments (not to be confused with loans) to the upper tier or school boards prior to the due date of their quarterly installments. Section 365(15) of the Municipal Act (section 215(2) of the Education Act) stipulates that the county (school board) shall allow to the municipality a discount from the date of payment to the date upon which payment is due at the minimum lending rate of the majority of chartered banks on the date of payment.

CANADA DEPOSIT INSURANCE CORPORATION

The Canada Deposit Insurance Corporation (CDIC) is a Crown Corporation established in 1967 by an Act of the Parliament of Canada. The purpose of the Corporation is to provide, for the benefit of persons having deposits with member institutions, insurance against the loss of deposits, in whole or in part, because of the insolvency of a member institution.

Membership in the Corporation is restricted to banks, trust companies and mortgage loan companies. It is mandatory that federally incorporated companies be members of the Corporation but provincially incorporated companies must submit applications and are accepted only if the government of the province concerned has approved the application and if certain standards and conditions are met.

The Corporation insures savings and chequing accounts, money orders, deposit receipts, guaranteed investment certificates, debentures and certain other obligations. Deposit insurance does not apply to investments in stocks, bonds, mortgages, or mutual funds.

The Canada Deposit Insurance Corporation is empowered to insure

deposits up to $60,000 per person, per institution. This amount applies to the combined total of principal and interest.

It is important to note that to be insurable, any term deposit must be redeemable either on demand or, on or before the expiration of five years from the date of deposit. The deposit instrument and the records of the member institution must specify the person entitled to repayment of the moneys.

Deposit insurance applies automatically to any insurable deposit with any member institution at the time the deposit is made. There is no charge to the depositor for deposit insurance. The premiums are paid by the member institution. Deposit insurance does not cover the contents of safety deposit boxes and securities held for safekeeping.

ONTARIO SHARE AND DEPOSIT INSURANCE CORPORATION

The Ontario Share and Deposit Insurance Corporation (OSDIC) was incorporated as a corporation without share capital on March 21, 1977 under the provisions of the Credit Unions and Caisses Populaires Act, 1976.

One of the objects of the Corporation is to provide, for the benefit of persons having shares or deposits with credit unions or caisses populaires in Ontario, deposit insurance against loss of part or all of such shares or deposits, by making payment to the persons to the extent and in the manner authorized by the Credit Unions and Caisses Populaires Act.

Effective January 7, 1983, the insurance coverage on individual members' share and deposit insurance was increased from $20,000 to $60,000 for each credit union or caisse populaire. Although OSDIC insures share, deposit and chequing accounts, it does not

cover the contents of safety deposit boxes and securities held for safekeeping.

All credit unions and caisses populaires in Ontario must be members of the Corporation. The Corporation's deposit insurance is provided automatically to all members of Ontario credit unions and caisses populaires.

THE INVESTMENT DEALER

The primary function of an investment dealer is to bring together those with capital and those in need of capital. In performing the functions of underwriting and distributing new issues of securities, dealers generally act as principals in purchasing the securities, reselling them at an agreed price to investors including individuals, corporations and financial intermediaries. In this way the capital requirements of the issuer are satisfied. The principal types of financing in which dealers engage are:

(i) a negotiated public offering , where the issuer and underwriter negotiate the type and terms of the security to be offered to the public (major provincial, municipal and corporate issues are usually in this category);

(ii) a private placement, where the dealer acts as agent for the issuer and negotiates a sale to one or more buyers, usually institutional investors;

(iii) the purchase of Government of Canada bonds from the Bank of Canada and the resale to investors on terms set by the Bank as agent for the Government; and

(iv) the distribution, as agents, of a new issue of securities; this method is used for Canada Savings

Bonds, Provincial Bonds, Treasury Bills and most money-market instruments. In the process, the investment dealer usually acts as financial adviser to the company or government body requiring the capital funds and has a good deal to do with the creation of the new securities.

When an investment dealer agrees to obtain capital funds for a government body or a company by selling an issue of their securities, he is contractually obliged to provide these funds even though his selling efforts may fail. His obligation is written into an underwriting agreement which under normal conditions is the issuer's assurance that the dealer is bound to take up and pay for the securities at a specified time and price.

INVESTMENT DEALERS ASSOCIATION (IDA)

The Investment Dealers Association is a national self-regulatory organization in the Canadian securities industry. Membership is confined to security houses which are able to meet the Association's standards with respect to quality of business conducted and financial responsibility. The members are regulated by means of regulations and codes of ethics that govern all phases of their activities that relate to their clientele and through close scrutiny of members' financial condition. These standards are enforced by compliance officers and examiners, and failure to comply is severely dealt with.

As a safeguard for investors, the IDA and the stock exchanges in Montreal, Toronto, Alberta and Vancouver have voluntarily established a National Contingency Fund. Its purpose is to provide financial assistance, in appropriate circumstances, to clients of their members who suffer financial loss due to the failure of a member.

The fund is administered by a Board of Governors who have sole and complete discretion with respect to payments from the fund. However, it is not the purpose of the fund to guarantee clients against trading losses.

ACCOUNTING FOR INVESTMENTS

Once the decision has been made to enter into an investment program, the treasurer should review the accounting and reporting systems to ensure the accountability and reporting of all investment transactions. It is suggested that the treasurer include in the accounting system some form of investment register. The register may be consolidated or there can be a separate register for each fund, for example, Revenue Fund and Capital Fund. The register would list all investments showing the type of investment held, e.g. term deposit, promissory note, etc.; the rate of interest; amount of the investment; date of maturity; and the projected and actual yield of the investment when sold. A sample page of an investment register is provided as Appendix F.

SAFEGUARDING INVESTMENT DOCUMENTS

Every investment made will require some evidence to support the transaction. This evidence may be a receipt from a bank, a promissory note, stock certificate or any number of other legal instruments.

Since certificates are valuable, they should be placed immediately in a safety deposit box. Some dealers will, on request, keep clients' securities in safekeeping, normally for a fee. However, as an extra precaution, some municipalities use a bank or trust company as agent for the physical custody of the security. Common and preferred shares have to be in registered form. Bonds may be in either registered or bearer form.

A registered security - The names and addresses of the owners of securities in registered form are kept on record by the issuer or its agents who also mail any interest, dividends or informational items to the registered holders.

A registered security may be registered in the owner's name, or in his nominee's name, or in "street" (broker's) name. For convenience in handling, many securities are registered in nominee or "street name".

When a security being sold is registered in the name of the seller, he must sign or endorse it on the back exactly as it appears on the front, date it, and have the signature witnessed. In cases where a certificate is registered in joint names, all joint holders must sign.

A bearer security is negotiable in the same way as a dollar bill. The holder - that is, the person in physical possession of it - is presumed to be the owner. The name of the owner is not usually recorded by the issuer of the security. Accordingly, if bearer securities are lost or stolen, it is easy for an unlawful possessor to turn them into cash.

If the municipal office does not have secure storage facilities such as a safe, then these documents should be stored in a safety deposit box or other such facility offered through the municipality's bank. Even documents of a non-negotiable nature must be safeguarded as they are prima facie evidence that the transaction actually occurred and will be required at the time of maturity.

INVESTMENT INSTRUMENTS

The following list provides information on the most common types

of investments available to Ontario municipalities:

- Bank Swap Deposits
- Bankers' Acceptances
- Bearer Deposit Notes
- Commercial Paper
- Debentures
- Government of Canada Treasury Bills
- Municipal Notes
- Provincial and Canada Bonds
- Provincial Treasury Bills
- Schedule "A" Banks
- Schedule "B" Banks
- Term Deposits (Deposit Receipts, Term Notes or Certificates of Deposit)

Bank Swap Deposits

Bank Swap Deposits are not too common to the municipal investor because the decision to buy must be made quickly plus the fact that they are arranged on a transaction basis making the instrument totally non-liquid until maturity. In this investment, Canadian dollars are converted into U.S. dollars which are then used to purchase a U.S. dollar bank certificate of deposit. At the same time as the agreement is consummated, Canadian dollars are purchased in the forward money market as a hedge against any future exchange rate fluctuations. While the conversion process is rather complex, this is handled completely by the chartered bank or investment dealer. The Canadian investor is quoted on all inclusive yield guaranteed by the bank, which includes both the U.S. term rate and the yield effect of the swap in currencies. This instrument may be obtainable in $100,000 denominations, but generally requires a much higher investment level. At certain times, these deposits may be

more attractive than the return available from domestic investments; therefore, when large cash surpluses are available this form of investment should be reviewed.

Bankers' Acceptances

Bankers' Acceptances are essentially a commercial draft drawn by a corporate borrower for payment on a specified date and guaranteed by countersignatures on the actual drafts. Bankers' Acceptances issued at a discount and payable at par are limited generally to a period not exceeding 90 days. Acceptances are created in multiples of $100,000. These are normally purchased from an investment dealer and enjoy a fairly active market. If necessary the investor can usually specify call features at the time of purchase. All Bankers' Acceptances, wherever issued, are payable at maturity at the main offices of the accepting bank in both Toronto and Montreal. Municipal investors normally arrange to have the note presented on their behalf by the investment dealer. The guarantee by a chartered bank permits municipalities to acquire these securities.

Bearer Deposit Notes

Bearer Deposit Notes are issued periodically by chartered banks in multiples of $100,000 being secured by the bank's general credit. The Notes are sold at a discount to mature at par, with terms ranging from 7 to 364 days as determined by the issuing bank, the normal arrangement is that these Bearer Notes are acquired by the various investment dealers or other chartered banks who handle the trading to third parties. The municipality can thereby arrange the term of investment to suit its availability of funds irrespective of the maturity date of the Note (dealers frequently enter into

a buy back or repurchase agreement to accommodate shorter terms of the investor).

Commercial Paper

An unsecured short-term promissory note that is offered to investors either through dealers or directly by the issuer. Notes are usually issued in multiples of $1,000, with a minimum issue of $50,000, and often registered in the names of their purchasers. Maturities of notes range from overnight to one year. The majority, however, mature in 90 days or less.

Debentures

Technically, debentures are debt securities ordinarily not secured by a mortgage against fixed assets or other property. Both governments and corporations may issue debentures. In fact, all government bonds are really debentures in the sense that they are promises to pay but are not secured by a mortgage on the government's assets (Refer to Provincial and Canada Bonds).

Government of Canada Treasury Bills

Government of Canada Treasury Bills are available in denominations of $1,000; $5,000; $25,000; $100,000 and $1 million which are issued weekly, by auction every Thursday by the Bank of Canada, as Agent for the Federal government. The normal terms at issuance are for 91 or 182 days, but occasionally terms extend to 270 and 364 days. These Bills are available in bearer form only and are sold at a discount to mature at par. These Bills are acquired initially by investment dealers and banks and can be acquired by

municipal investors from these agencies to suit their required maturities, similar to Bearer Deposit Notes.

<u>Municipal Notes</u>

Municipal Notes or municipal treasury bills are becoming more prevalent amongst the major Canadian municipalities as a convenient source of temporary financing. These promissory notes are issued generally in denominations of $100,000 or multiples thereof, with terms less than 90 days. Liquidity of these notes may be more restricted than Federal or Provincial Treasury Bills.

<u>Provincial and Canada Bonds</u>

Provincial and Canada Bonds also form an active part of the short-term money market. A bond is a certificate of indebtedness issued by governments or corporations when borrowing capital funds. Bonds are usually issued in denominations of $1,000 and multiples thereof. The issuer contracts to pay the holder a stipulated rate of interest on specific dates over a stated period of time. At the end of this time the issuer agrees to repay the principal amount against surrender of the bond certificate.

For example, a holder of a $1,000 Government of Canada 13 1/2% bond due October 15, 1992 receives $67.50 in interest in April and October of each year until 1992. The Government of Canada pledges it will repay the holder the $1,000 principal amount on October 15, 1992.

Investment dealers and chartered banks can supply quotes and advice on availability of these instruments. Municipalities acquiring these securities normally retain the investment until maturity.

Provincial Treasury Bills

Provincial Treasury Bills are issued by auction on a weekly basis similar to Canadian Treasury Bills by the majority of provinces or agencies of the province (e.g. Ontario Hydro) generally in $25,000 denominations. Some are sold at a discount and others bear a fixed rate of interest. Provincial Treasury Bills are issued for 91 days and in some cases, for 182 days (Province of Quebec). As in the case of Bearer Deposit Notes and Federal Treasury Bills these are normally bought from investment dealers and banks who maintain an inventory of these money market instruments.

Schedule "A" Banks

A Schedule A bank is one in which the shares are "widely held" with no one shareholder allowed to hold more than 10 per cent. These shares are owned almost exclusively by people in the private sector and most are traded on the major stock exchanges. As of November, 1986, there were 9 schedule A banks in Canada. Refer to Appendix G for a listing.

Schedule "B" Banks

As of November, 1986, there were 55 schedule B banks in Canada as listed in Appendix H. These include all foreign and Canadian-owned banks whose shares are "closely held;" that is, are controlled by one or a small number of shareholders. These banks have all the powers of the banks in existence before the 1980 Bank Act revision, which are known as Schedule A banks, except for some restriction on branching and size. Foreign banks had been represented in Canada for some time prior to 1980 by "representative offices" or subsidiaries in the form of financial

corporations, but by the Bank Act of 1980 foreign banks could apply for chartered bank status.

Schedule B banks will issue notes in discount or interest bearing form with terms typically less than one year although longer terms are available. The notes are quite liquid - ranking below major bank notes but above commercial paper. Some Schedule B banks are rated in Canada, while others prefer to sell paper based on the strength of the name and reputation of their parent bank and in some cases on their guarantee by the parent.

Term Deposits (Deposit Receipts, Term Notes or Certificates of Deposit)

Term Deposits are evidenced by a receipt that is not negotiable and issued by chartered banks, trust companies and loan corporations with flexible terms and amounts according to the number of days desired by the investor. Normally the minimum deposit is $5,000 with a minimum term of 30 days, but on amounts in excess of $100,000 a minimum of one day is possible. Although deposits of $1,000 are allowed, these are usually for more than one year. The full amount of the deposit plus interest is returned at the time of maturity. Different interest rates are quoted depending on the length of time the money is to be invested. The standard investment periods are less than 30 days; 30 to 59 days; 60 to 89 days; 90 to 179 days; 180 to 269 days; and 270 to 364 days. Depending on current market conditions, higher interest rates may be earned for longer time spans. The term deposit may be redeemed at any time before maturity; however, the effective rate of interest will be reduced according to a predetermined earning rate stipulated by the lender. Usually the yield on early redemption is slightly below the rate quoted originally and as a result

there is a penalty associated with overestimating the time that the idle funds are available.

CONCLUSION

The preceding summarizes the basic characteristics of the investment instruments that confront the municipal treasurer entering the short-term money market.

A sound investment program provides the municipality with the opportunity to increase its total income through this form of non-tax revenue. This type of program is not without risk. Investments placed with financially weak organizations can result in the loss, or reduction, of anticipated interest and in some cases the loss of all or part of the principal invested. Treasurers, particularly those entering the investment field for the first time, should follow the old adage "investigate before you invest".

The municipality's banker is normally an excellent source of investment advice as are a number of investment dealers and trust companies. The sources for obtaining sound investment advice are there, it is only necessary for the treasurer to seek them out.

APPENDIX A

INVESTMENT PROVISIONS UNDER THE MUNICIPAL ACT

165(2) The moneys raised for a reserve fund established under subsection (1) shall be paid into a special account and may be invested in such securities as a trustee may invest in under the Trustee Act, and the earnings derived from the investment of such moneys form part of the reserve fund.

169(1) For the purposes of this section, "municipality" includes a metropolitan, regional or district municipality.

(2) Where a municipality has moneys not required immediately by the municipality, such moneys may be,

(a) invested in,

(i) bonds, debentures, or other evidences of indebtedness of or guaranteed by the Government of Canada, the Province of Ontario, or any other province of Canada,

(ii) debentures, notes or guaranteed investment certificates of or term deposits with any trust company or loan corporation that is registered under the Loan and Trust Corporations Act,

(iii) term deposits, deposit receipts, deposit notes, certificates of deposit, acceptances and other similar instruments issued, accepted, guaranteed or endorsed by any bank named in Schedule A or B to the Bank Act (Canada),

(iv) promissory notes of a metropolitan, regional or district municipality, or of a municipality as defined in the Municipal Affairs Act, or of a conservation authority established under the Conservation Authorities Act,

(v) term deposits accepted by a credit union as defined in the Credit Unions and Caisses Populaires Act; or

(b) advanced to the capital account of the municipality for the purpose of interim financing of capital undertakings of the municipality,

provided that the investments or advances to the capital account become due and payable by the day on which the moneys are required by the municipality, and all interest thereon shall be credited to the fund from which the moneys are invested or advanced.

170(2) Notwithstanding subsection (1) of this section and section 177, where a local municipality has moneys received from the sale of debentures that are not required immediately for the purpose or purposes for which the debentures were issued, such moneys may be invested in the general fund of the municipality, provided that such moneys shall be returned to the debenture account,

(a) by the day on which the moneys are required for the purpose or purposes for which the debentures were issued; or

(b) not later than the 31st day of December of the year in which the moneys were so invested,

whichever the first occurs and interest shall be credited to the debenture account on the amount so invested, at a rate equal to the rate currently applicable to the temporary borrowing of the municipality.

APPENDIX B

INVESTMENT PROVISIONS UNDER
THE PLANNING ACT, 1983

39 (3) All moneys received by a municipality under an agreement entered into under this section shall be paid into a special account and the moneys in such special account shall be applied for the same purposes as a reserve fund established under paragraph 55 of section 208 of the Municipal Act may be applied, and the moneys in such special account may be invested in such securities as a trustee may invest in under the Trustee Act, and the earnings derived from the investment of such moneys shall be paid into such special account, and the auditor of the municipality in his annual report shall report on the activities and position of the account.

50 (12) All moneys received by the municipality under subsections (8) and(11) and all moneys received on the sale of land under subsection (10), less any amount expended by the municipality out of its general funds in respect of such land, shall be paid into a special account, and the moneys in such special account shall be expended only for the acquisition of lands to be used for park or other public recreational purposes, including the erection or repair of buildings or other structures thereon or for the maintenance of lands, buildings or structures used for park or other public recreational purposes, including the acquisition of machinery and equipment required for such maintenance, and the moneys in such special account may be invested in such securities as a trustee may invest in under the Trustee Act, and the earnings derived from the investment of such moneys shall be paid into such special account, and the auditor in his annual report shall report on the activities and position of the account.

APPENDIX C

INVESTMENT PROVISIONS UNDER THE TRUSTEE ACT

26 A trustee may invest any trust money in his hands in the classes of securities mentioned in this section, but only if the investment is in other respects reasonable and proper,

(a) bonds, debentures or other evidences of indebtedness,

(i) of or guaranteed by the Government of Canada,

(ii) of or guaranteed by the government of any province of Canada,

(iii) of or guaranteed by the Government of the United Kingdom,

(iv) of any municipal corporation in Canada, including debentures issued for public, separate, secondary or vocational school purposes, or guaranteed by any municipal corporation in Ontario, or secured by or payable out of rates or taxes levied under the law of any province of Canada on property in such province and collectible by or through the municipality in which such property is situated;

(b) first mortgages, charges or hypothecs upon real estate in Canada;

(c) bonds, debentures or other evidences of indebtedness of a corporation that are secured by the assignment to a trustee of payments that the Government of Canada has agreed to make, if such payments are sufficient to meet the interest as it falls due on the bonds, debentures

or other evidences of indebtedness outstanding and to meet the principal amount of the bonds, debentures or other evidences of indebtedness upon maturity;

(d) debentures of any loan corporation that is registered under the Loan and Trust Corporations Act;

(e) guaranteed investment certificates of any trust company that is registered under the Loan and Trust Corporations Act;

(f) bonds, debentures or other securities issued or guaranteed by the International Bank for Reconstruction and Development established by the Agreement for an International Bank for Reconstruction and Development approved by the Bretton Woods Agreement Act (Canada), if the bonds, debentures or other securities are payable in the currency of Canada or the United States of America;

(g) deposit receipts, deposit notes, certificates of deposits, acceptances and other similar instruments issued or endorsed by any chartered bank to which the Bank Act (Canada) applies; and

(h) term deposits accepted by a credit union as defined in the Credit Unions and Caisses Populaires Act.

27(1) In addition to the investments authorized by section 26, a trustee holding trust money for investment may invest such moneys in the following classes of investments, but only if the investment is in other respects reasonable and proper and is made in accordance with subsections (2), (3) and (4).

(a) bonds, debentures, debenture stock or other securities of any corporation incorporated in Canada, or by any province now forming part of Canada, that are secured by a mortgage or hypothec to a trust company either singly or jointly with another trustee upon improved real estate of such corporation of the classes mentioned in this section or in section 26;

(b) bonds, debentures or other evidences of indebtedness of a corporation that are secured by the assignment to a trustee of payments that are payable, by virtue of an Act of a province of Canada, by or under the authority of the province, if such payments are sufficient to meet the interest as it falls due on the bonds, debentures or other evidences of indebtedness outstanding and to meet the principal amount of the bonds, debentures or other evidences of indebtedness upon maturity;

(c) bonds, debentures or other evidences of indebtedness of a corporation that has paid,

(i) a dividend in each of the five years immediately preceding the date of investment at least equal to the specified annual rate upon all of its preferred shares, or

(ii) a dividend in each year of a period of five years ended less than one year before the date of investment upon its common shares of at least 4 per cent of the average value at which the shares were carried in the capital stock account of the corporation during the year in which the dividend was paid;

(d) preferred shares of a corporation that has paid,

(i) a dividend in each of the five years immediately preceding the date of investment at least equal to the specified annual rate upon all of its preferred shares, or,

(ii) a dividend in each year of a period of five years ended less than one year before the date of investment upon its common shares of at least 4 per cent of the average value at which the shares were carried in the capital stock account of the corporation during the year in which the dividend was paid;

(e) fully paid common shares of a corporation that, in each year of a period of seven years ended less than one year before the date of investment, has paid a dividend upon its common shares of at least 4 per cent of the average value at which the shares were carried in the capital stock account of the corporation during the year in which the dividend was paid.

THE BOROUGH OF EAST YORK

INVESTMENT POLICY FOR EXCESS FUNDS

REVISED OCTOBER 6, 1986

LEGISLATIVE AUTHORITY

A. Municipal Act - Section 169

1) For the purposes of this section, "municipality" includes a metropolitan, regional or district municipality. R.S.O. 1980, c.302, s.169(1).

2) Where a municipality has monies not required immediately by the municipality, such monies may be:

a) invested in,

i) bonds, debentures, or other evidences of indebtedness of or guaranteed by the Government of Canada, the Province of Ontario, or any other province of Canada.

ii) debentures, notes or guaranteed investment certificates of or term deposits with any trust company or loan corporation that is registered under the Loan and Trust Corporations Act,

iii) term deposits, deposit receipts, deposit notes, certificates of deposit, acceptances and other similar instruments issued, accepted, guaranteed or endorsed by any bank named in Schedule A or B to the Bank Act (Canada),

iv) promissory notes of a metropolitan, regional or district municipality, or of a municipality as defined in the Municipal Affairs Act, or of a conservation authority established under the Conservation Authorities Act,

v) term deposits accepted by a credit union as

defined in the Credit Unions and Caisses Populaires Act; or

b) advanced to the capital account of the municipality for the purpose of interim financing of capital undertakings of the municipality,

provided that the investments or advances to the capital account become due and payable by the day on which the monies are required by the municipality, and all interest thereon shall be credited to the fund from which the monies are invested or advanced. R.S.O. 1980, c.302, s.169(2); 1982, c.24, 2.8.

3) The Metropolitan Corporation is deemed to be a municipality for the purposes of section 35 of The Credit Unions and Caisses Populaires Act, 1976. 1978, c.64, s.17(2).

<u>BROKERAGE SERVICES</u>

A minimum of two brokerage firms from the following list will be used to obtain quotations for investment of Borough excess funds.

<u>LIST OF APPROVED FIRMS</u>

Burns Fry Limited
Dominion Securities Pitfield Ltd.
Merrill Lynch Canada Inc.
Midland Doherty Ltd.
Mcleod Young Weir Ltd.
Nesbitt Thomson Bongard Inc.
Richardson Greenshields of Canada Ltd.
Wood Gundy Inc.

<u>SAFEKEEPING SERVICES</u>

The Borough will establish a safekeeping account with one of the approved banks.

LIST OF APPROVED BANKS

Canadian Imperial Bank of Commerce
Royal Bank of Canada
Toronto Dominion Bank
Bank of Montreal
Bank of Nova Scotia

GENERAL INVESTMENT GUIDELINES

The amount of cash flow cushion necessary to meet unforseen cash demands should be estimated. This account of cash should always be invested in the most liquid instruments-Canada Treasury Bills or Overnight.

When investing overnight, up to $5 million can be invested in any one bank but at no time should more than $15 million be invested in banks.

MONITORING PROCESS AND CRITERIA

Through regular approvals, reporting and contacts within the Borough's Finance Department, issues related to investments will be controlled and monitored by the Treasurer and Director of Financial Services. The procedures set out indicate the areas of control and reporting which is necessary within the Department and to Council.

TERM OF INVESTMENTS PLACED

The maturity dates of the investments should always be well dispersed. Following this principle of yield diversification allows participation in rapid interest rate upturns and helps to smooth the temporary declines in interest rates that occur even in stable interest rate environments. The weighted average term should never exceed one hundred days. The Treasurer is authorized to invest an amount, not to exceed $3 million, for terms longer than six months and not greater than one year. All other investments must be less than six months in term.

INVESTMENT CREDITS

Investment/Instrument(s)	Not to Exceed $
1. Obligations of, or guarantees of the Government of Canada. - Canada Treasury Bills - Government of Canada Bonds	No Limit
2. Obligations of, or guarantees of the following Canadian Provinces: Alberta British Columbia Newfoundland New Brunswick Ontario Saskatchewan - Treasury Bills - Promissory Notes	5 Million per province
3. Obligations of, or guarantees of the Municipality of Metropolitan Toronto - Promissory Notes	The value of one levy payment.
4. Investments which are direct obligations of, or guaranteed by the following Canadian Banks: Bank of Montreal Bank of Nova Scotia Canadian Imperial Bank of Commerce Royal Bank of Canada Toronto Dominion Bank - Bankers Acceptance	4 Million per bank

- Term Deposits

WEIGHTED AVERAGE TERM OF PORTFOLIO

Weighted Average Term of Portfolio	Market Conditions
Less than 30 days	rising interest rate market
Beyond 55 days if cash requirements permit but never beyond 100 days	falling interest rate market

INVESTING FUNDS OVERNIGHT

Funds should be invested overnight whenever the following conditions exist:

- Cash on hand is not sufficient to result in a wholesale rate on a term investment
- During a prolonged period of increasing interest rates.
- During periods of temporary low interest rates.
- Between investment maturity and cash requirement date.
- During any period of great uncertainty as to the future of interest rates.

SELLING SHORT OF TERM

During rapid declines of interest rates, it may become desirable to sell to a Broker or investment dealer a security before its maturity date. The further the current rate diverges from the rate of our securities held, the greater the financial gain accruing to the Borough.

In other cases, unexpected cash requirements may arise which require immediate attention and selling part of our portfolio may be the only viable means to meet our obligations.

When either case arises, only the Treasurer or Director of Financial Services can authorize the transaction.

INVESTMENT PROCEDURES

1) A cash flow budget is prepared annually, and approved by the Treasurer and forwarded to Council.

2) The Supervisor of Accounting will determine each business day any surplus funds available for short term investing by reviewing the status of the bank accounts and the projected cash flows.

3) The Supervisor of Accounting or his representative will contact each approved Broker for their current interest rate offering on the funds being placed. A copy of the form is attached.

4) The Supervisor of Accounting will select the most appropriate offering from the completed form, according to Borough policy.

   On investments under $3,000,000 and under 100 day terms, the Supervisor of Accounting is authorized to proceed immediately to place the investment.

   On investments over $3,000,000 or over 100 day terms, the investment must be approved by the Treasurer or Director of Financial Services in advance, or shortly thereafter if they are not available when required.

5) The investment will then be placed, by telephone with the Broker, by the Supervisor of Accounting or his representative. The Investment Control form will then be filed in chronological order.

6) The Supervisor of Accounting or his representative will transfer the necessary funds, by telephone, from the Borough's bank to the Broker.

7) The Supervisor of Accounting or his representative will then journalize the entry into the proper General Ledger accounts. This procedure will also be followed when an investment has matured and been transferred into our bank account.

8) When the bank debit and credit advice and confirmations from the Brokers are returned to the Borough, the Senior Accountant will verify and initial these documents to his records and confirm that all transactions have been properly affected. These documents will be filed in chronological order and maintained.

9) Monthly summary reports of investments will be prepared for the Director of Financial Services and Treasurer.

10) Meetings will be held at least annually with the main brokerage firms to review performance and clarify new regulations or other issues.

11) Quarterly reports summarizing investment transactions will be forwarded to Council.

AN INVESTMENT POLICY

FOR THE CITY OF KANATA

Corporation of The City of Kanata
Short Term Investment Policy for Surplus, Reserves,
Reserve Fund, Sinking Fund and Trust Fund Monies

LEGISLATIVE AUTHORITY

Section 169 of the Municipal Act R.S.O. 1980 provides the legislative authority to invest monies not immediately required for current operating purposes.

Section 165 of the Municipal Act R.S.O. 1980 provides the legislative authority to invest monies raised for a reserve fund and its earnings in such securities as allowed under the Trustee Act.

POLICY

1. (a) Revenue Fund

That the City of Kanata place short term investments in those instruments specified under the Municipal Act, issued or guaranteed by the following institutions:

(i) The Government of Canada

(ii) The Provinces of Canada

(iii) Ontario Municipal Governments

(iv) Schedule A Banks

(v) Schedule B Banks and Trust Companies, either Federally or Provincially incorporated.

(b) <u>Reserve Funds and Trust Funds</u>

That the City of Kanata place investments in those instruments specified under the Trustees Act of Ontario, issued or guaranteed by the following institutions:

(i) The Government of Canada

(ii) The Provinces of Canada

(iii) Ontario Municipal Governments

(iv) Schedule A Banks

(v) Schedule B Banks and Trust companies

(vi) Bonds, debentures or other evidences of indebtedness of a corporation provided they have an R-1 High rating and meet the criteria specified under the Trustees Act Chapter 312, Section 27(1)(c) R.S.O. 1980. No investment shall be made under this section that, at the time of making such investment, would cause the aggregate market value of the investments made under this section to exceed 35 per cent of the market value at that time of the whole trust estate.

2. That any investment being undertaken have a current rating satisfactory to the City of Kanata.

3. That the City be permitted to take advantage of investments offered by qualified investment brokerage houses; financial institutions; and municipalities; boards and commissions as circumstances dictate.

4. That the following limitations be placed on investments with any one financial institution according to the rating supplied by the Dominion Bond Rating Service (or their equivalency), with the exception of funds invested with

(a) The Government of Canada

(b) The Provinces of Canada

where no limits shall be applicable.

DIVERSIFICATION OF PORTFOLIO HOLDINGS

a) With respect to security ranking (at time of placement)

	VALUE OF PORTFOLIO	MIX OF INVESTMENTS
i)	When portfolio is less - than $1 million	Any combination of R-1 high or middle quality
ii)	When portfolio is greater- than $1 million but not greater than $5 million	Min. 30% R-1 high Max. 70% R-1 middle
iii)	When portfolio is greater- than $5 million but not greater than $10 million	Min. 25% R-1 high Max. 70% R-1 middle Max. 5% R-1 low
iv)	When portfolio is greater- than $10 million	Min. 20% R-1 high Max. 70% R-1 middle Max. 10% R-1 low

The need to deal with a larger range of portfolio values is possible as is also the mix of limits set; however, the present ranges are designed to reflect the portfolio levels anticipated for the City of Kanata.

b) With respect to a single institution - upper amount and percentage of portfolio.

PORTFOLIO LEVEL	SINGLE INSTITUTION HOLDING WITHIN PORTFOLIO
up to $1 million	100%
$1 million but not greater than $5 million	50%
$5 million but not greater than $10 million	40% but single investment per institution at time of placement: Max. $2 million
greater than $10 million	30% but single investment per institution at time of placement: $3 million

PROCEDURE

1. That Treasury Department Staff under the direction of the Treasurer shall be responsible for the placement of short term investments. Subject to the limitations of this policy staff will invest at the highest interest rate available.

2. The Treasury Department Staff under the direction of the Treasurer shall determine the amount of funds and terms for which placements can be arranged.

3. Competitive bidding will be obtained, when possible, before the placement of any investment. Each bidder should indicate the rating attached to the paper being offered together with the date of the last credit rating afforded that paper.

4. All investments shall receive the approval of the Treasurer and C.A.O.

5. A monthly statement of Investments outstanding shall be submitted to City Council, for information.

INVESTMENT REGISTER: SHORT-TERM INVESTMENTS FOR THE ____________ OF ______________________

Appendix 11
Short-Term Investments 1981

* Discounted

Investment Holder	Amount	Date of Investment	Date of Repayment	Rate	# Of Days	Interest Earned
Municipal Savings & Loan	$2,250,000	Jan. 5/81	Apr. 2/81	18.20	87	$ 97,606.85
Fidelity Trust	2,000,000	Jan. 13/81	Apr. 16/81	17.20	93	87,649.31
National Bank BDN	*1,000,000	Jan. 27/81	Dec. 1/81	15.08	308	112,890.00
Credit Foncier Trust	1,000,000	Jan. 27/81	Apr. 27/81	17.30	90	42,657.53
International Trust	1,000,000	Jan. 28/81	July 23/81	16.00	176	77,151.36
International Trust	2,000,000	Feb. 2/81	Nov. 26/81	15.25	297	248,178.07
Northland Bank	1,000,000	Feb. 2/81	May 14/81	17.15	101	47,456.16
International Trust	2,500,000	Feb. 2/81	Apr. 2/81	17.75	59	71,729.45
International Trust	3,000,000	Feb. 2/81	Mar. 19/81	18.20	45	67,315.07
C.C.I.B. Mtge. Corp.	1,000,000	Feb. 2/81	Mar. 6/81	18.20	32	15,956.16
Central & Eastern Trust	2,000,000	Feb. 2/81	Feb. 9/81	17.50	7	6,712.33
International Trust	1,750,000	Feb. 3/81	Mar. 5/81	18.15	30	26,106.16
Central & Eastern Trust	1,500,000	Feb. 5/81	Mar. 5/81	18.20	28	20,942.46
Central & Eastern Trust	2,750,000	Feb. 9/81	Feb. 19/81	18.00	10	13,561.64
Northland Bank	750,000	Feb. 23/81	May 28/81	17.05	94	32,932.18
League Savings & Mtge.	1,000,000	Apr. 2/81	Oct. 1/81	15.50	182	77,287.67
First City Trust	1,000,000	Apr. 2/81	Apr. 9/81	17.00	7	3,260.27
International Trust	2,000,000	Apr. 6/81	May 14/81	17.40	38	36,230.13
International Trust	1,750,000	Apr. 6/81	Apr. 30/81	17.40	24	20,021.92
Central & Eastern Trust	1,000,000	Apr. 6/81	Apr. 16/81	17.10	10	4,684.93
International Trust	750,000	Apr. 6/81	June 4/81	17.20	59	20,852.05
C.C.I.B., National Bank & Roy Lease	750,000	Apr. 28/81	May 7/81	16.75	9	3,097.60
Central Trust	1,000,000	May 5/81	May 19/81	17.75	14	6,808.22
Prov. of N.S. (A.J. Lane Hospital)	2,821,650	Jan. 6/81	May 5/81	17.25	119	158,794.52
Northland Bank	1,500,000	May 11/81	Aug. 6/81	19.21	87	68,682.32
League Savings	1,000,000	May 11/81	Dec. 10/81	18.35	213	107,083.56

November, 1986

SCHEDULE "A" CANADIAN DOMESTIC BANKS

BANK OF MONTREAL	THE BANK OF NOVA SCOTIA
THE TORONTO DOMINION BANK	NATIONAL BANK OF CANADA
CANADIAN IMPERIAL BANK OF COMMERCE	THE ROYAL BANK OF CANADA
BANK OF BRITISH COLUMBIA	WESTERN AND PACIFIC BANK OF CANADA
BANK OF ALBERTA	

December, 1986

SCHEDULE "B" FOREIGN BANKS

55 total

ABN Bank Canada

ANZ Bank Canada

Bank of America Canada

Barclays Bank of Canada

Bank of Boston Canada

BT Bank of Canada

Banco Central of Canada

The Chase Manhattan Bank of Canada

Chemical Bank of Canada

Citibank Canada

Banca Commerciale Italiana of Canada

Comerica Bank Canada

Continental Illinois Bank (Canada)

Bank of Credit and Commerce Canada

Credit Commercial De France (Canada)

Credit Lyonnais Canada

Credit Suisse Canada

Dai-Ichi Kangyo Bank (Canada)

Deutsche Bank (Canada)

Dresdner Bank Canada

First Interstate Bank of Canada

The First National Bank of Chicago (Canada)

Fuji Bank Canada

Hanil Bank Canada

Bank Hapoalim (Canada)

Hongkong Bank of Canada

The Industrial Bank of Japan (Canada)

International Commercial Bank of Cathay (Canada)

Irving Bank Canada

Israel Discount Bank of Canada

Korea Exchange Bank of Canada

Bank Leumi Le-Israel (Canada)

Lloyds Bank Canada

Manufacturers Hanover Bank of Canada

Mellon Bank Canada

Midland Bank Canada

Mitsubishi Bank of Canada

The Mitsui Bank of Canada

Morgan Bank of Canada

National Bank of Detroit, Canada

National Bank of Greece (Canada)

National Westminster Bank of Canada

Banque Nationale De Paris (Canada)

Banca Nazionale Del Lavoro of Canada

Overseas Union Bank of Singapore (Canada)

Paribas Bank of Canada

Republic National Bank of New York (Canada)

Sanwa Bank Canada

Security Pacific Bank Canada

Societe Generale (Canada)

Standard Chartered Bank of Canada

State Bank of India (Canada)

Swiss Bank Corporation (Canada)

The Bank of Tokyo Canada

Union Bank of Switzerland (Canada)

BULLETIN SERIES

Following is a list of available publications:

Administration

1 **WITHDRAWN FROM CIRCULATION**

2 **WITHDRAWN FROM CIRCULATION**

3 **WITHDRAWN FROM CIRCULATION**

4 **WITHDRAWN FROM CIRCULATION**

5 **WITHDRAWN FROM CIRCULATION**

6 Bargaining Information ($1)

7 Drafting Municipal By-Laws ($1)

8 Municipal Insurance ($1)

9 **WITHDRAWN FROM CIRCULATION**

10 Labour Relations--The Organizing Process ($1)

11 Procedure By-Law ($1)

12 Dismissal ($1)

13 Labour Relations--Components of a Collective Agreement ($1)

14 **WITHDRAWN FROM CIRCULATION**

15 **WITHDRAWN FROM CIRCULATION**

16 **WITHDRAWN FROM CIRCULATION**

17 Council Committees ($1)

18 Liability Protection ($1)

19 Summary of 1978 Legislation Respecting Remuneration and Expenses ($1)

20 **WITHDRAWN FROM CIRCULATION**

21 **WITHDRAWN FROM CIRCULATION**

22 **WITHDRAWN FROM CIRCULATION**

23 Training Opportunities for Staff in Small Municipalities ($1)

24 **WITHDRAWN FROM CIRCULATION**

25 **WITHDRAWN FROM CIRCULATION**

26 Recruiting--I. Planning the Process ($1)

27 Recruiting--II. The Right Person for the Job ($1)

28 Recruiting--III. Advertising ($1)

29 Recruiting--IV. The Interview ($1)

30 The Interpretation Act ($1)

31 The Statutory Powers Procedure Act ($1)

32 **WITHDRAWN FROM CIRCULATION**

33 **WITHDRAWN FROM CIRCULATION**

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